

Message Text

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ACTION EB-07

INFO OCT-01 ARA-10 EUR-12 NEA-09 ISO-00 IO-10 SAI-01

ACDA-10 PA-02 PRS-01 USIA-15 ERDA-07 AID-05 CEA-01

CIAE-00 CIEP-02 COME-00 DODE-00 FEAE-00 FPC-01 H-02

INR-07 INT-05 L-02 NSAE-00 NSC-05 OMB-01 PM-03 SAM-01

OES-05 SP-02 SS-15 STR-04 TRSE-00 FRB-01 ERDE-00

SAB-01 /148 W

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P R 031610Z MAR 75

FM AMEMBASSY BEIRUT

TO SECSTATE WASHDC PRIORITY 3168

INFO AMEMBASSY ALGIERS PRIORITY

AMEMBASSY VIENNA

AMEMBASSY CARACAS

AMEMBASSY DOHA

AMEMBASSY JIDDA

AMEMBASSY KUWAIT

AMEMBASSY LONDON

AMEMBASSY THERAN

USEC BRUSSELS 819

USOCD PARIS 4338

USUN MISSION NEW YORK 2833

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SUBJECT: OPEC DEBATES, POLICY DECLARATIONS

REF: BEIRUT A-23, VIENNA 1580, 1629, 1689, 1714, 1715, 1733,
DOHA 241 (NOTAL)

SUMMARY. BEIRUT TRADE PRESS THIS WEEKEND REPORTED FOLLOWING ON
LAST WEEK'S OPEC MINISTERIAL VIENNA AND THIS WEEK'S OPEC SUMMIT
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ALGIERS; (1) AT VIENNA, OPEC DEFERRED ACTION ON PRODUCTION PRO-

GRAMMING AT SAUDI AND IRANIAN URGING AND ON DOLLAR DEPRECIATION WITH KUWAIT BLESSING; (2) AT ALGIERS, A "SOLEMN DECLARATION", AFTER OVERCOMING DIFFERENCES ON PRICING AND PRODUCTION PLANKS, WILL BE GENERAL STATEMENT OF OPEC POLICY ON FULL RANGE OF ISSUES NOW ASSOCIATED WITH OIL TRADE; (3) "PROGRAM OF ACTION" WILL CONTAIN MORE DETAILED NEGOTIATING POSITIONS FOR OPEC-CONSUMER NEGOTIATIONS BUT MAY NOT RPT NOT BE READY FOR OPEC SUMMIT. IT LIKELY FOLLOW MOST BUT NOT ALL PROPOSALS FROM JANUARY 24-26 MINISTERIAL ALGIERS. APPARENTLY ONLY CONTRIBUTIONS THESE DELIBERATIONS CAME FROM ARABS AND IRANIANS. FOLLOWING FROM MIDDLE EAST ECONOMIC SURVEY (MEES) FEBRUARY 28 AND ARAB NATIONALIST ARAB OIL AND GAS (AOG) MARCH 1.

1. VIENNA MINISTERIAL FEB. 25-27; THIS MEETING CONCENTRATED ON DRAFTING "SOLEMN DECLARATION" AND "PROGRAM OF ACTION" FOR OPEC SUMMIT ALGIERS MARCH 4-6 AFTER DEFERRING ACTION ON PRODUCTION PROGRAMMING AND DOLLAR DEPRECIATION. ON PROGRAMMING, MEES REPORTED THAT ALGERIA AND POSSIBLY LIBYA AND IRAQ WANTED COORDINATED PROGRAM ADOPTED IMMEDIATELY, ALGERIANS ARGUING FORCEFULLY THAT CURRENT OIL SURPLUS "ARTIFICIAL" IN THAT IT LARGELY RESULT OF DELIBERATE POLICY OF DEMAND RESTRAINT BY CONSUMERS TO FORCE PRICES DOWN. SAUDIS ARGUED THAT SURPLUS IS NATURAL MARKET RESPONSE TO HIGH PRICES AND SETTLED ISSUE BY MAKING IT CLEAR THEY WOULD NOT PARTICIPATE IN ANY OPEC GLOBAL PRODUCTION PROGRAM. AOG SAYS "MOST MEMBER COUNTRIES" FAVORED PROGRAMMING BUT, IN ADDITION TO SAUDIS, IT WAS OPPOSED AS UNNECESSARY AT THIS TIME BY IRANIANS, WHO QUOTED AS SAYING PROGRAMMING WARRANTED ONLY IF INDUSTRIALIZED COUNTRIES' CONSUMPTION FALLS TO 22-23 MBPD FROM CURRENT 27 MBPD. ON DOLLAR DEPRECIATION, OR PRICE INDEXATION, MEES SAID THIS WAS REERRED FOR FURTHER STUDY ON SAUDI MOTION SECONDED BY KUWAITIS, WHO SAID THEY RAISED ISSUE IN FIRST PLACE TO ALERT OPEC TO STUDY POSSIBILITY THAT DOLLAR'S DEPRECIATION MIGHT BE RESULT OF COVERT MANIPULATION RATHER THAN MERELY MARKET FORCES. AOG CLAIMED SAUDIS OPPOSED INDEXATION ON GROUNDS THIS "WOULD BE CHALLENGING AMERICANS".

2. SOLEMN DECLARATION: MEES SAID THIS WOULD BE GENERAL STATEMENT OF OPEC POLICY ON PRODUCTION, PRICING, TERMS OF TRADE, RAW MATERIALS AND THIRD WORLD, RECYCLING AND MAINTENANCE OF PRODUCERS' ASSETS, WORLD MONETARY SYSTEM, TRANSFER OF TECHNOLOGY, ETC. MEES SAID VIENNA MINISTERIAL ENCOUNTERED DISAGREEMENT ON PRICING PLANK--- IRAQ AND IRAN CALLING FOR PRICE STABILIZATION IN REAL VALUE TERMS UNCLASSIFIED

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AND SAUDIS INISISTING ON REFERENCE ONLY TO STABILIZATION IN GENERAL TERMS---AND ON PRODUCTION, WHERE "ALL AGREED" THAT DECLARATION SHOULD GUARANTEE TO SUPPLY WORLD OIL MARKET WITH QUANTITIES OF OIL REQUIRED BUT THERE WAS DEBATE AS TO WHETHER AND HOW GUARANTEE SHOULD BE QUALIFIED BY REFERENCES TO REGULATION OF PRODUCTION RATES TO VOLUMES STRICTLY NECESSARY FOR WORLD MARKET. PRODUCTION PLANK LEFT FOR COMPLETION AT ALGIERS.

3. PROGRAM OF ACTION: MEES SAID THAT IN MOST BUT NOT ALL RESPECTS THIS LIKELY FOLLOW GENERAL LINE OF ALGIERS JANUARY 24-26 PROPOSALS (MOSTLY FROM ALGERIANS) PUBLISHED MEES JANUARY 31 (REFAIR). PROBABLY WILL INCLUDE SIX-YEAR PRICE PROGRAM INVOLVING 1975 FREEZE, PARTIAL COMPENSATION FOR INFLATION 1976-77 AND FULL INFLATION COMPENSATION 1978-80. PROGRAM TO CONTAIN MORE DETAILED NEGOTIATING POSITIONS VIS-A-VIS CONSUMERS BUT MAY NOT RPT NOT BE IN FINAL FORM IN TIME FOR OPEC SUMMIT.

4. ON FUTURE OIL PRICES, MEES SAID JUAN DE ONIS ARTICLE FEBRUARY 21 NEW YORK TIMES INDICATED A DEAL BETWEEN SECRETARY KISSINGER AND SAUDI OILMIN YAMANI: U.S. WOULD "PLAY POSITIVE ROLE" SUPPORTING PRODUCER-CONSUMER CONFERENCE AND SAUDIS WOULD OPPOSE LIFTING OF OPEC PRICE FREEZE THIS YEAR AND WORK FOR MODEST REDUCTION, WHICH MEES THOUGHT MIGHT BE TO \$10 FROM \$10.46 ON MARKET CRUDE. QUOTING "HIGHLY-PLACED SOURCE IN MODERATE CAMP", MEES SAID LARGER REDUCTION OF, SAY, \$2 ABSOLUTELY OUT OF QUESTION EXCEPT UNDER REMOTE POSSIBILITY THAT U.S. OBTAINS ARAB-ISRAELI PEACE SETTLEMENT INCLUDING COMPLETE ISRAELI WITHDRAWAL.
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